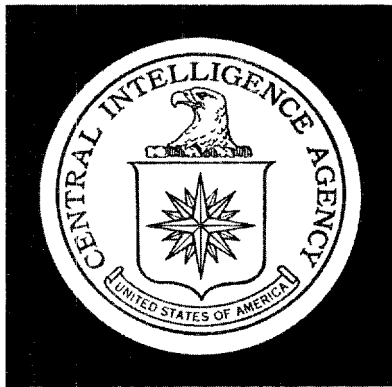


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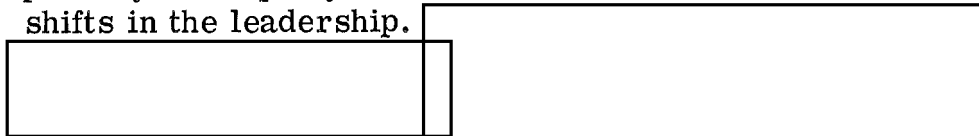
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Poland: Tension in Warsaw is rising, and there are rumors that party leader Gomulka will deliver a major speech on the crisis, possibly today.

There has been an influx to Warsaw of armed police units from other Polish cities, and, for the first time, uniformed soldiers with automatic weapons have been observed. These elements presumably are to control the large crowd which will be assembled if Gomulka speaks.

The situation holds new risks to public order, especially if the party leader uses the occasion to announce shifts in the leadership.



A party central committee representative, scheduled to meet Warsaw students yesterday to discuss their grievances, failed to appear. The assembled students dispersed peacefully, however, when they were informed that a "politburo member" would answer them some day this week. Many reportedly interpret this to mean that Gomulka himself will reply.

Regime propaganda is still trying to draw a distinction between the mass of students and their "Zionist" instigators and exploiters. Premier Cyrankiewicz reportedly has shown sympathy with some aspects of the student cause. This suggests that the regime may make some minimal move to satisfy students' demands.

Meanwhile, calls for a thorough purge of Gomulka's "opponents" are rising as numerous workers' meetings are being staged by the party throughout the country. Dismissals, especially of Jews, probably will be stepped up.

(continued)

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There are indications of continuing unrest, despite regime attempts to convey an impression that calm has been restored. For example, a demonstration by some 10,000 persons reportedly took place in Katowice on 15 March during which police used dogs, water cannons, and truncheons to disperse the crowd. [REDACTED]

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Chile: President Frei has been forced to rely on Communist support on a vital economic issue.

In negotiations for the crucial wage adjustment bill, Frei was unable to get any cooperation from the leftist-controlled Radical Party. The conservative National Party, hoping to force military intervention in the government, was equally uncooperative. As a result, Frei turned to the Communists and received their support in return for dropping restrictions on private sector wages. The Communists were willing to work with the government because they see political benefit in cultivating the image of a responsible party.

Acting Minister of the Interior Perez Zujovic assured the US Charge in Santiago that the austerity program will be continued despite the resignation last week of Finance Minister Raul Saez. Perez stated that he is prepared to move against "elements bent on disruption and disorder," including Communists and Christian Democrats as well as perpetrators of illegal strikes.

The armed forces are unusually restive because their pay raise is tied to the wage adjustment bill. There is no indication, however, of any intended intervention on their part. [REDACTED]

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Iran: The Shah is taking a firm line with the western oil consortium and promises to do the same with his Arab adversaries in the Persian Gulf.

Iran continues to insist that oil production must increase over the next five years at a rate far greater than the consortium can envisage. During meetings in Tehran last week, consortium representatives were told to increase production estimates or provide oil at a discount for Iran to barter in Eastern Europe. The Shah also wants the details of the consortium's internal arrangements on oil production, which he believes discriminate against Iran.

The response to these demands must be made by 20 April. If it is negative on all points, the Iranian government will take unilateral action against the consortium. Presumably such action could include taking over more of its assets, but details have not been revealed.

Meanwhile, the Shah is furious over the formation of a Federation of Arab Emirates that would include Bahrain, which Iran claims. The Shah alleges that the new federation will also absorb two other Iranian-claimed islands in the Gulf.

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The Shah would have preferred to keep the Bahrain issue quiet, but obviously believes that the issue is being pushed to the fore. He has hinted that Iran will protect its "legitimate rights" with force, if necessary.

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Indonesia: Student demonstrations yesterday against the reshuffling of congress probably foreshadow more protests when that body convenes on 21 March. The students apparently will insist that the expected congressional appointment of Suharto as full president is unconstitutional. In view of the protests and the opposition of civilian political leaders over the past weeks, the government is likely to scale down its demands for a five-year full presidential term and a five-year postponement of elections. [REDACTED]

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*Guatemala: The twice-extended state of alert decreed in mid-January was raised to a state of siege yesterday. Stepped-up Communist terrorism and the apparent kidnaping of the Archbishop of Guatemala on Saturday probably prompted the move. Under a state of siege, police and other law enforcement agencies are placed under the direct control of the Ministry of Defense, allowing a greater latitude in operations. [REDACTED]

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